

Message Text

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21

ACTION EA-10

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

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R 300500Z JAN 75

FM AMCONSUL MELBOURNE

TO SECSTATE WASHDC 2571

INFO AMEMBASSY CANBERRA

AMCONSUL BRISBANE

CINCPAC

USMISSION GENEVA

AMCONSUL PERTH

AMEMBASSY PARIS

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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CINCPAC FOR POLAD

PARIS FOR OECD

E.O. 11652: N/A

TAGS: ETRD, EIND, ELAB, AS

SUBJECT: AFTERMATH OF GOA ANNOUNCEMENT OF AUTO INDUSTRY
PROTECTION PLAN

REF: CANBERRA 0628

SUMMARY: IN REACTION TO GOA ANNOUNCEMENT GENERAL MOTORS-HOLDEN'S
(GMH) DIRECTOR DENIES REPORT THAT COMPANY "WILL NOT LAY OFF

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WORKERS FOR AT LEAST 90 DAYS". GMH, FORD AND CHRYSLER FUTURE

PLANS STILL GOVERNED BY REALITIES OF MARKET.

1. IN AFTERMATH OF GOA DECISIONS RELATING TO AUTOMOBILE INDUSTRY AS REPORTED REFTEL, LABATT JANUARY 29 SPOKE TO DAMON MARTIN, MANAGING DIRECTOR OF GMH. MARTIN FIRST OF ALL DENIED VIGOROUSLY THAT THEY HAD PROMISED FEDERAL TREASURER, JIM CAIRNS, OR ANY OTHER GOA OFFICIAL THAT GMH WOULD NOT REDUCE ITS WORKFORCE BEFORE END OF 90 DAY PERIOD AS REPORTED IN GOA STATEMENTS. ACCORDING TO MARTIN HIS COMPANY MADE ABUNDANTLY CLEAR TO GOA THEIR INTENTION TO "REVIEW SITUATION EVERY 30 DAYS". AT SAME TIME MARTIN CLAIMS NOT TO HAVE KNOWN BASIS OF STATEMENT MADE BY FORD AND CHRYSLER COMPANIES THAT THEY WOULD WITHHOLD WORKFORCE REDUCTION ONLY FOR PERIOD OF 30 DAYS AND HE FELT THEY SHOULD RESENT ATTACK ON THEM BY GOA FOR SO STATING. HE DOES NOT UNDERSTAND MOTIVE BEHIND GOA ATTRIBUTING DIFFERENT TIME FRAMES TO GMH AND TO THE TWO OTHER COMPANIES.

2. MARTIN STATED THAT GMH INVENTORIES WERE RUNNING AT ABOUT 26 THOUSAND UNITS WITH MORE THAN 80 PERCENT OF THIS TOTAL AT COMPANY PROPERTY OR LEASED STORAGE AREAS; BALANCE IS IN HANDS OF DEALERS. HE EXPECTS THAT MONEY SITUATION IN COUNTRY IS SOLID ENOUGH TO SUBSTANTIALLY REDUCE THIS INVENTORY SITUATION AND THEREFORE GMH WAS GEARING ITS PRODUCTION VERY CLOSE TO AN AVERAGE MONTHLY PRODUCTION OF 7 THOUSAND UNITS. HE INDICATED THAT HE HAD NEVER HEARD OF NEW LOW COST, LOW POWERED UNIT SUPPOSEDLY BEING PRODUCED BY GMH AT MANUFACTURING CENTERS IN THE UNITED STATES, GREAT BRITAIN AND GERMANY. HE SAID HOWEVER THAT GMH WAS "GEARING UP" TO INCREASE PRODUCTION OF SMALL CAR BASED ON A JAPANESE MODEL WHICH GENERAL MOTORS JAPAN HAD BEEN PRODUCING FOR SOME TIME.

3. GMH OFFICIAL WENT ON TO EXPRESS SATISFACTION WITH GOA REACTION TO POTENTIAL HARM ITS PROPOSED TAX ON EXECUTIVE VEHICLES WOULD DO TO INDUSTRY AND EXPRESSED SATISFACTION THAT THIS TAX WAS TO BE ABANDONED. OF COURSE HE APPLAUDED REDUCTION IN SALES TAX AND FELT GOA PLAN NOT TO INTRODUCE CAPITAL GAINS TAX WOULD ALSO CONTRIBUTE TO BUSINESS CONFIDENCE AND CONFIDENCE IN GENERAL BUYING COMMUNITY.

4. IN COMMENTING ON POSSIBLE BAD PUBLIC RELATIONS ASPECTS OF LIMITED OFFICIAL USE

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DECEMBER ANNOUNCEMENT OF WORKFORCE REDUCTIONS, MARTIN, ADMITTING HIS REVELATIONS WERE "A BIT LATE", CLAIMS THAT HIS COMPANY HAD TOLD MINISTRY OF SECONDARY INDUSTRY OFFICIALS AS FAR BACK AS JULY, AND THAT HE HAD TOLD TREASURY OFFICIALS IN OCTOBER AND NOVEMBER GMH WOULD FIND IT VERY DIFFICULT TO MAINTAIN WORKFORCE AT LEVELS THEN IN OPERATION. LABATT NOTES HOWEVER THAT THIS INFORMATION NOT REPORTED TO HIM OR ANYONE ELSE IN DECEMBER AND SERIOUSLY DOUBTS GMH SUFFICIENTLY EMPHASIZED ITS FORECAST IN PRE-CHRISTMAS

DISCUSSIONS WITH GOA OFFICERS. IN CONCLUSION MARTIN EXPRESSED DEEP APPRECIATION OF INTEREST SHOWN IN GMH AFFAIRS BY LABATT AND OTHER USG OFFICIALS.

5. LABATT SPOKE ALSO JANUARY 29 TO FORD INTERNATIONAL INDUSTRIAL RELATIONS OFFICER WHO EXPRESSED CORPORATION RESENTMENT AT ATTACK ON FORD COMPANY BY GOA OFFICIALS FOR COMPANY ANNOUNCEMENT THEY WERE REVIEWING MANPOWER SITUATION IN 30 DAYS. HE SAID COMPANY ANNOUNCEMENT WAS BASED ON HARD FACT THAT THEY HAD 8 THOUSAND VEHICLE INVENTORY ON COMPANY PROPERTIES, PLUS ABOUT HALF THAT NUMBER IN HANDS OF DEALERS. AS HAD GMH OFFICIAL, FORD OFFICER INDICATED SATISFACTION OVER GOA DECISIONS AND EXPRESSED CAUTIOUS HOPE THAT MARKET IMPROVEMENT IN AUTOMOBILE SALES WAS ALREADY UNDERWAY, AND THAT FOR TIME BEING AUSTRALIAN INDUSTRY WAS IN POSITION TO RECOUP ITS LOSSES.

6. COMMENT: OBVIOUSLY BOTH COMPANIES WILL EXPERIENCE EXAGGERATED INCREASE IN SALES FOR NEXT 30 DAY REPORTING PERIOD. IT IS MATTER OF CONJECTURE WHETHER ACCELERATION OF PRIVATE CONSUMER PURCHASING PLANS, RESULTING IN GREAT INCREASE IN SALES FIGURES FOR NEXT 30-60 DAYS, WILL HAVE DEPRESSING EFFECT ON SALES IN THIRD AND FOURTH QUARTERS OF 1975. IT IS EVIDENT THAT GOA HOPES TO RAPIDLY DEplete INVENTORIES, NOT ONLY OF AUSTRALIAN INDUSTRY BUT ALSO OF FOREIGN IMPORTS. THEREAFTER GOA HOPES THAT NEW QUOTA RESTRICTIONS WILL CONTINUE TO KEEP AUSTRALIAN INDUSTRY IN ADVANTAGEOUS POSITION OVER FOREIGN IMPORTS. FOREIGN MANUFACTURERS, ESPECIALLY JAPANESE, WILL UNDOUBTEDLY REDUCE WORKFORCE OF ITS AUSTRALIAN-BASED ASSEMBLY AND SALES COMPONENTS RESULTING IN UNEMPLOYMENT IN THAT AREA. HOWEVER, SUCH MANPOWER READJUSTMENT WILL HAVE FAR LESS EFFECT THAN THOSE CONTEMPLATED BY AUSTRALIAN INDUSTRY SUCH AS GMH ANNOUNCED PRIOR TO CHRISTMAS.
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